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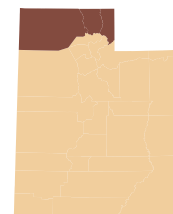
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An economic and labor market analysis of the Bear River Area

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The Effects of the Recession on New Hire Trends



TYSON SMITH, ECONOMIST

One way economists use labor market data is to analyze business cycle trends. During periods of economic growth, aggregate consumer demand increases, and the resulting surge in consumer spending necessitates an increase in production at the firm level. Ultimately, organizations are compelled to invest in new capital to facilitate that increase in output. A manufacturing plant might buy a new machine to augment the capacity of their fabrication process, or a trucking company might purchase a new fleet of vehicles to expand the range of their delivery area. In any case, the first investment a firm generally makes in response to economic growth is to hire additional labor.

There are several reasons why hiring new employees is a desirable means of increasing output. One explanation is that firms rarely run at full capacity, especially at the beginning of an expansionary period. Thus it would be impractical to invest in new equipment or buildings when existing capital is not being fully utilized. Conversely, in times of economic contraction, organizations are swift to suspend hiring practices until the business cycle changes course, as eliminating new hires represents a prudent and organizationally painless action.

Economists know the value of employment trends in assessing the state of the economy,

but who collects this type of information, and how would a researcher access it?

The U.S. Census Bureau combines national employment with demographic information, and assembles that data in their Longitudinal Employer-Household Dynamics (LEHD) database. The Local Employment Dynamics (LED) Extraction Tool has hundreds of indicators and segments with which employment data can be analyzed. These indicators include quarterly employment and earnings by geography, industry type, firm size and worker demographics. While the strength of the database is the assortment of available information that can be extracted, the weakness is time that develops when gathering and processing such comprehensive data.

This issue of Local Insights will evaluate some interesting trends regarding the number of private-sector stable new hires per quarter, as well as the average monthly earnings per quarter for private-sector stable new hires in the Bear River Economic Service Area. Due to the nature of the data, the most up-to-date stable new hire information available is through the second quarter of 2012. Stable new hire data estimates the counts and earnings for workers who started a job that they had not held within the previous 12 months, and the job lasted at least a full quarter with a given employer.¹

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In addition to tracking non-custodial parents, the New Hire Registry also provides a wealth of socio-economic information.





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General Trends

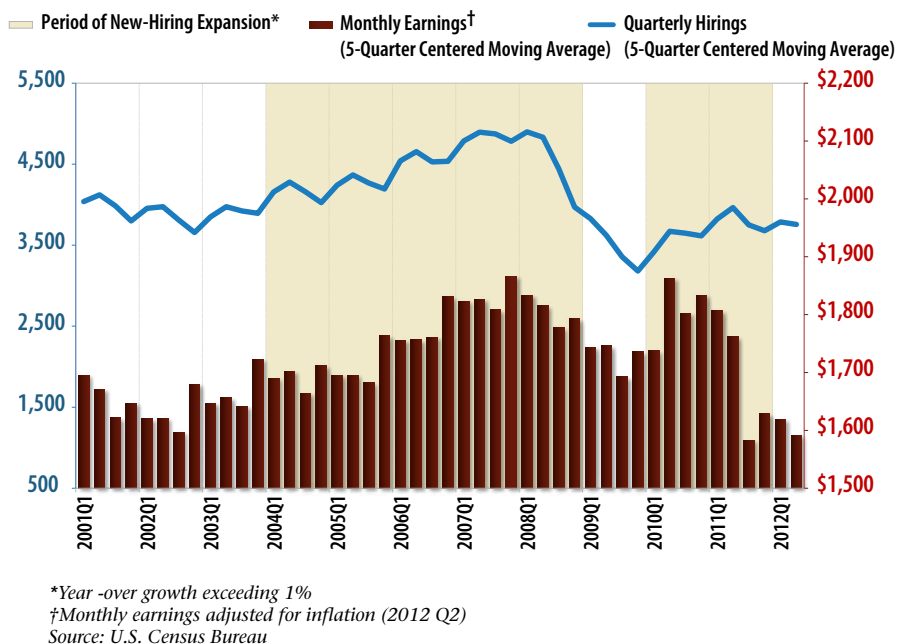
Figure 1 illustrates three key periods of hiring activity during the last 10 years: 1) the pre-recession expansion in new hires from 2004 to 2008; 2) the recessionary contraction in new hires from 2008 to 2010, and; 3) the post-recession expansion in new hires from 2010 to 2012. Figure 1 also highlights a correlation between new-hire counts and the business cycle.

The number of workers hired per quarter in Bear River fell 30.9 percent during the recessionary contraction, while monthly earnings declined 5.3 percent over the same period. Hiring in the region was slightly less affected by the recession than the rest of the state, which saw quarterly new hires and monthly earnings decrease 34.0 percent and 6.4 percent, respectively. However, when compared to the State of Utah, Bear River new-hire growth and earnings have been anemic during the pre- and post-recession expansions. The year-over growth rate in hiring during the post-recession expansion in Bear River was 6.9 percent per year, compared to the Utah average of 10.7 percent per year. In addition, new-hire earnings actually dropped 3.6 percent annually in Bear River, in contrast to the 2.3 percent annual rise statewide in new-hire earnings. Although the number of new hires increased significantly for Bear River and the State of Utah after 2009, both areas had only recovered approximately 80 percent of the quarterly new hires generated at the peak of the business cycle in 2008.

Industry Analysis

A closer examination by industry reveals that during the recovery new-hire growth

Figure 1. New Hire Counts and Earnings in Bear River



occurred in 13 of the 19 private-sector industries in Bear River. Industry-specific change appeared uneven in the region, ranging from -7.6 percent per year in construction to 29.9 percent per year in administrative services and waste management. Monthly earnings for new hires were also unequally distributed with new employees in arts, entertainment and recreation making \$645 per month, while workers in manufacturing started at an average monthly wage of \$2,501. Figure 2 exposes the contrasts among 14 industries that averaged over 50 new hires per quarter during 2011. The industries can be grouped into four major clusters based on their relation to the regional averages of the annual new-hire growth rate of 6.9 percent, and new-hire earnings of \$1,610 per month.

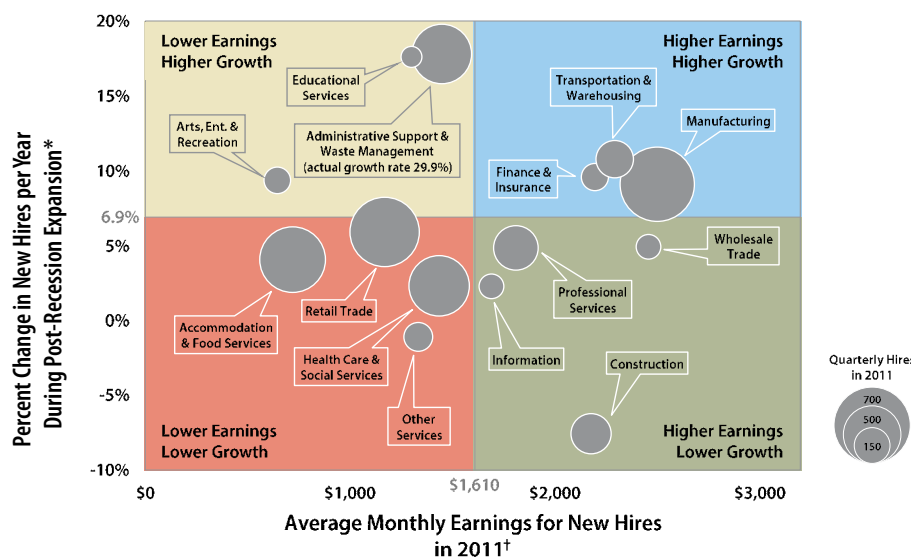
The following cluster groupings show the average annual growth rates during

recovery and the average monthly earnings in 2011:

- Higher Earnings, Higher Growth – 9.4 percent per year and \$2,434 per month
- Higher Earnings, Lower Growth – -0.5 percent per year and \$2,016 per month
- Lower Earnings, Lower Growth – 3.7 percent per year and \$1,114 per month
- Lower Earnings, Higher Growth – 24.3 percent per year and \$1,327 per month

The clusters growing faster than average represent industries with elevated labor demand. In the last year of the post-recession expansion, Bear River firms in the top-two quadrants of Figure 2 added 31.5 percent more employees than they did in the final year of the recessionary

Figure 2. Bear River New Hires by Industry

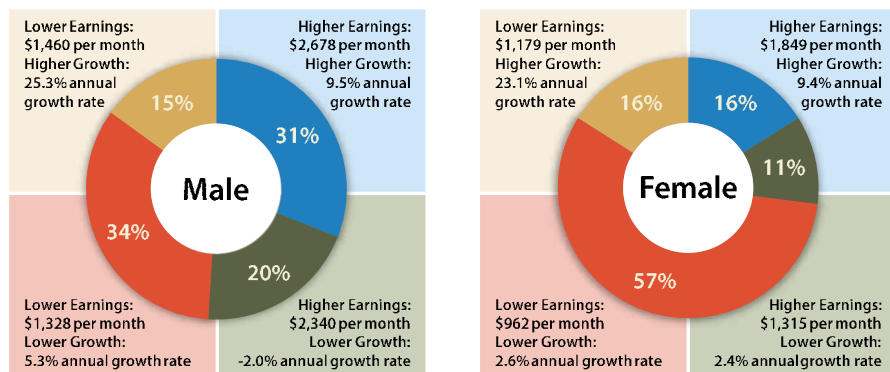


*Compound annual growth rate from 2009 to 2011

† Monthly earnings calculated using the annual average in 2011 adjusted for inflation (Q2 2012)

Source: U.S. Census Bureau

Figure 3. Bear River New Hires by Gender**†



*Compound annual growth rate from 2009 to 2011

†Monthly earnings calculated using the annual average in 2011 adjusted for inflation (Q2 2012)

Source: U.S. Census Bureau

contraction (369 new jobs per quarter). Industries with above average monthly earnings for new hires offer greater income potential and higher standards of living. By 2011, the average new hire earnings in the

industries with above average pay (right quadrants) were \$1,348 more per month than the average of the industries with below average pay.

Industry hiring trends in the region were

significantly different after the contraction than they were prior to the contraction. In 2007, 41.2 percent of all new hires started jobs in manufacturing, construction, wholesale trade and professional services, which at the time were “Higher Earnings, Higher Growth” industries. Contrast that with the 24.3 percent of new hires in the higher earnings, higher growth cluster in 2011. During the pre-recession expansion highly skilled jobs with above average pay drove the labor market surge. The upswing in the demand for labor during that time applied upward pressure on earnings and forced firms to raise compensation as a means of attracting skilled job seekers in a very low unemployment environment. The increase in labor demand helped to improve new-hire earnings by 2.7 percent per year from 2004 to 2008. In the two years after the recession new-hire pay decreased 3.6 percent per year, as the number of qualified job applicants frequently exceeded the number of open positions.

Demographics

Specific segments of the new-hire population participated differently within the four industry clusters of Figure 2. The demographics of new hires —such as gender and educational attainment —further illuminate trends during the recovery.

Figure 3 shows the difference between male and female new hires. Male new hires in Bear River made on average \$803 more per month than their female counterparts. Income inequality between the genders is a well-documented phenomenon, and women maintain a higher part-time presence in the labor force and work fewer hours even when employed full-time, which further skews female earnings.² What is revealing about Figure 3 is that the trend holds true in each industry cluster. Female new hires make \$829 less



The Effects of the Recession on New Hire Trends (continued)

Figure 4. New Hires by Industry and Educational Attainment

	Less than High School	High School or Equivalent	Some College or Associate Degree	Bachelor's Degree or Higher
Higher Earnings, Higher Growth	31%	32%	31%	29%
Manufacturing	74%	68%	68%	68%
Transportation & Warehousing	21%	25%	22%	18%
Finance & Insurance	5%	7%	9%	14%
Higher Earnings, Lower Growth	17%	17%	17%	20%
Construction	53%	43%	38%	25%
Professional Services	26%	32%	35%	47%
Wholesale Trade	11%	15%	14%	13%
Information	8%	8%	10%	12%
Lower Earnings, Lower Growth	31%	34%	36%	35%
Retail Trade	35%	39%	36%	34%
Health Care & Social Assistance	26%	30%	35%	39%
Accommodation & Food Services	30%	21%	19%	18%
Other Services	8%	7%	7%	7%
Lower Earnings, Higher Growth	22%	18%	17%	16%
Administrative Support & Waste Management	82%	73%	71%	66%
Educational Services	6%	9%	11%	15%
Arts, Entertainment, & Recreation	5%	10%	11%	13%
Average New Hire Monthly Earnings[†]	\$1,848	\$2,006	\$2,100	\$2,557
Annual Growth Rate Post-Recession[*]	6.2%	7.3%	6.5%	4.7%

Source: U.S. Census Bureau

than males in the “Higher Earnings, Higher Growth” cluster, and \$366 less than males who in the “Lower Earnings, Lower Growth” cluster. Moreover, women are less likely to participate in the higher earnings clusters than men. Over 51 percent of male new hires were employed in industries where new-hire earnings were above average, compared to 27 percent of female new hires. The majority of women, 56.7 percent, were hired in “Lower Earnings, Lower Growth” industries.

Educational attainment seemed to influence new-hire tendencies in a more nuanced fashion than gender during the post-recession expansion. There were only minor differences between the highest level of education the worker had completed and proportions in which they were hired in the industry clusters. One may anticipate that new hires with at least a bachelor's degree would be significantly more likely to get a job in the above average wage clusters compared to their less educated cohorts. Instead, the distribution of new hires in the higher

earnings clusters between those with less than a high school education and those with at least a bachelor's was relatively marginal.

However, the allocation of new hires within the specific industries uncovers distinctions among levels of educational attainment. Figure 4 shows that while new hires at every level of education participated in each cluster at approximately the same proportion, the industries in which these groups were hired were distinct. Predictably, those with higher levels of education were more likely to start their career in white-collar industries, while new hires with less education were more likely to begin working in blue-collar industries. Regardless of industry affiliation, educational attainment is directly proportional to earnings. New hires with at least a bachelor's degree made \$709 more per month than new hires without.

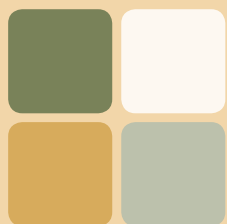
Conclusion

While there is always some level of hiring activity in an economy because of employee

turnover, new-hire data tells a valuable story about job growth. During times of economic expansion, businesses hire in order to meet consumer demand; and when the economy contracts, firms freeze hiring in anticipation of a decline in consumer spending. The last 10 years provided clear examples of the relationship between hiring practices and the business cycle. In Bear River, administrative support and waste management, transportation and warehousing and manufacturing drove new hire growth during the post-recession expansion. In that time, different segments of the new-hire population participated in the recovery in unique ways.

¹ Stable hires, other than all hires, are used to eliminate the job flipping always present in the economy. Using the stable-hire component helps to expose the underlying hiring trends.

² Average wages are calculated from unemployment insurance records, but those records only provide total wages paid to a worker, not their hourly pay rate. Hence, the wage records cannot distinguish between full- or part-time wages.



Changes in Employment and Projections for the Future

BY TYSON SMITH, ECONOMIST

Regional Overview

The Bear River Economic Service Area experienced moderate year-over employment growth in the first quarter of 2013. Total nonfarm employment in the region increased 2.1 percent from the first quarter of 2012 to the first quarter of 2013, compared to the state average of 3.5 percent growth over the same period. Both the goods producing and service producing sectors fell short of Utah state averages. When tallied together, mining, construction and manufacturing added 415 employees year-over-year, this is a 2.3 percent annual growth. Service sector employment tallied an additional 1,007 jobs—up 2.0 percent from the previous year. The service sector industries with the lowest year-over growth in comparison to the state were other services (down 0.5 percent), trade, transportation, and utilities (up 0.1 percent), and professional and business services (up 0.6 percent).

The three most noteworthy industries in the area in terms of year-over employment growth are government, manufacturing and health care and social services. These key industries adjusted differently to the economic environment over the last year:

Government:

The effects of the recently legislated cuts in government spending (i.e., the sequester) contributed to the reduction of federal government employment by 2.0 percent

from the same quarter in 2012. State government also decreased year-over-year, but by a marginal total of 11 jobs. Local government, on the other hand, has seen revenues increase during the recovery, and have in turn invested in additional staff. Together, federal and state government employment fell by 81 employees in Bear River year-over, and local government workers increased by 226.

Manufacturing:

The industry continues to show signs that it is rebounding from the recession. For the second consecutive quarter, year-over growth in manufacturing was positive (up 2.1 percent). In total, manufacturing firms added 311 employees over the year.

Health Care and Social Services:

In the first quarter of 2013, 10.7 percent of total nonfarm employment in Bear River was in the health care and social services industry. The increasing need for these services drove year-over growth in industry employment to 7.7 percent in the first quarter of 2013. Bear River added 527 jobs in the industry in that time after adding 204 jobs during the previous quarter.

Box Elder County

Unemployment:

Box Elder County's unemployment rate for June 2013 was 5.6 percent for the third consecutive month. The unemployment

rate in Box Elder was nine-tenths of a percentage point above the state average of 4.7 percent, and has been consistently higher than the Utah rate since 2009. The national unemployment rate of 7.6 percent in June continued to be much higher than Box Elder and the State of Utah. Since June of 2012 the unemployment rate in Box Elder has fallen 1.3 percentage points, the largest decline in Bear River over that time.

Employment:

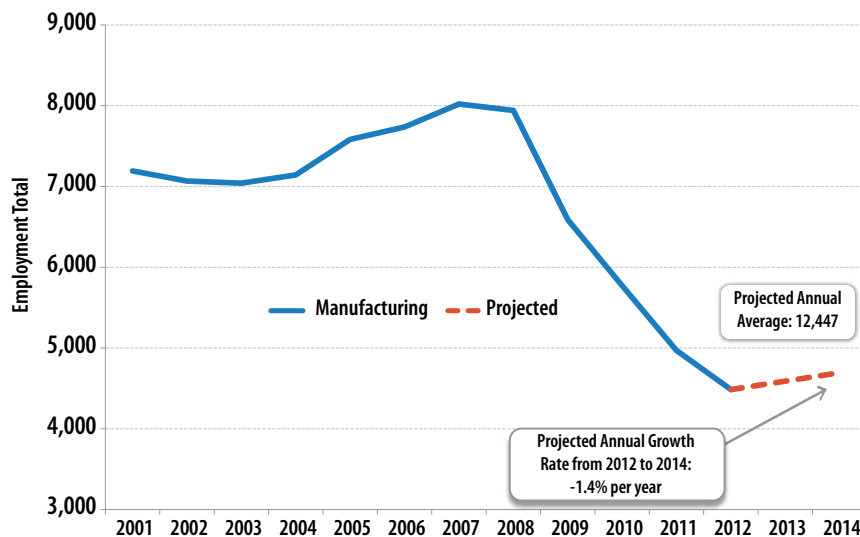
In Box Elder County, total nonfarm employment in the first quarter 2013 increased 4.0 percent year-over-year. In total the county added 626 employees: 300 in the goods producing sector and 326 in the service sector. Although the goods producing sector represents a slightly smaller share of the economy, it grew at a faster rate (5.6 percent) than the service sector (3.1 percent). During the first quarter 2013, more than one in four jobs in the county were in manufacturing, underscoring the importance of the industry in the county. Year-over growth in manufacturing employment jumped 6.0 percent in Box Elder County, compared to an average of 2.4 percent in the state.

The Department of Workforce Services (DWS) has projected short term employment growth for Box Elder County to equal 4.0 percent per year from 2012 to 2014. Annual employment for 2014 is estimated around 17,550 if



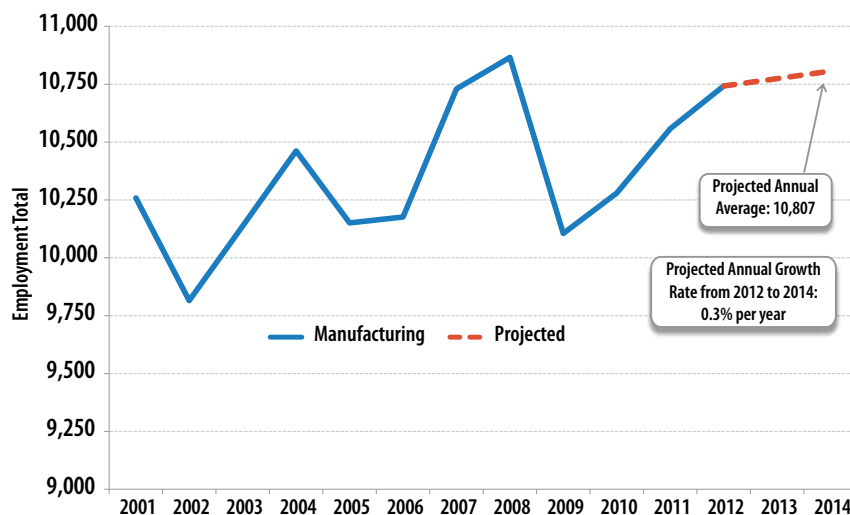
Changes in Employment and Projections for the Future (continued)

Figure 5. Box Elder County Manufacturing Employment



Source: Utah Department of Workforce Services

Figure 6. Cache County Manufacturing Employment



Source: Utah Department of Workforce Services

current economic conditions persist. Manufacturing employment in the county is projected to increase by 2.3 percent (Figure 5). Slowing global growth, combined with declining industry trends domestically, cap the potential for considerable short term employment gains in manufacturing. However, the industry will still be a source of regional specialization in the State of Utah.

Cache County Unemployment:

The unemployment rate in Cache County increased slightly from May to June 2013. Cache County's 4.2 percent unemployment rate continued to trend below the state average of 4.7 percent, and the national average of 7.6 percent. Since June of 2012 the unemployment rate in Cache County has fallen 0.3 percentage points.

Employment:

From the first quarter 2012 to the first quarter 2013 total nonfarm employment in Cache County grew 1.5 percent. The county added a total of 765 employees: 111 in the goods producing sector and 654 in the service sector. The goods producing sector accounted for 24.4 percent of the total employment in the county during the first quarter of 2013, while the service sector represented the other 75.6 percent. Manufacturing is a critical industry in Cache County. Manufacturing jobs represented 20.8 percent of total employment, and 28.3 percent of total wages in the county during the first quarter of 2013. Since the first quarter 2012, employment in the industry grew by 0.4 percent and total wages were relatively unchanged at 0.1 percent growth.

Short-term employment projections estimate total nonfarm employment growth in Cache County to be 1.5 percent per year from 2012 to 2014. Average annual employment in 2014 is estimated to reach above 52,700 assuming economic trends remain as predicted. Manufacturing employment will likely continue to grow, but at a slower pace than total nonfarm employment for the same reasons as Box Elder County (Figure 6).

Rich County

Unemployment:

Rich County's unemployment rate for June 2013 remained unchanged from May at 4.0 percent. The unemployment rate in Rich County is the lowest of the three counties in Bear River, and was 0.7 percentage

points less than the state average. Like Cache County, unemployment in Rich has been at or below the Utah rate since 2009. Year-over-year the unemployment rate in the county is down 0.1 percentage points.

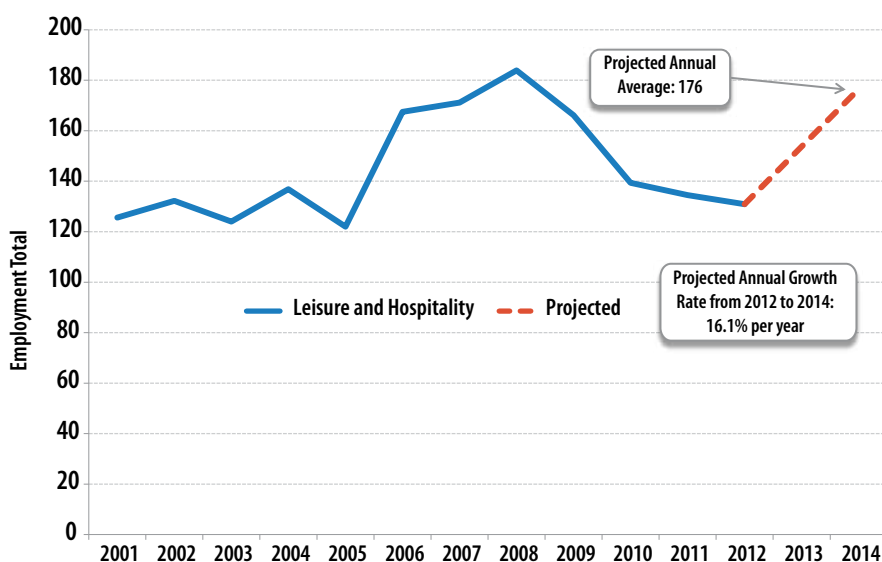
Employment:

Total nonfarm employment from the first quarter 2012 to the first quarter 2013 increased 6.8 percent, the fifth largest county level employment jump in the state. Rich County is a rural county, so percentage changes can be highly variable. All told, the county added 32 employees: four in the goods producing sector and 27 in the service sector. The two largest industries, in terms of employment, in the county are local government (34.7 percent) and leisure and hospitality (18.1 percent). A large portion of the leisure and

hospitality jobs support tourism, which is one of the county's primary exports. Over the past year leisure and hospitality industries have rebounded across the state, and in Rich County the growth has been remarkable. Employment jumped 47.5 percent year-over-year, adding 29 employees.

The small employment totals in counties like Rich make projecting future growth difficult because historical fluctuations as a percent of total employment can be dramatic. DWS conservatively projected year-over growth rates from 2012 to 2014 at 2.6 percent per year. However, the department anticipates leisure and hospitality will outpace the county average employment growth during that time (Figure 7).

Figure 7. Rich County Leisure and Hospitality Employment



Source: Utah Department of Workforce Services



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The Benefits of New Hire Registry

BY MELAUNI JENSEN, LMI ANALYST

All employers in the United States are required by federal law to report information about all newly hired employees to their designated state agency. In 1997, the Department of Workforce Services was given the responsibility of managing the New Hire Registry Act for Utah, where employers must report the information within 20 days of a new hire's first day. The primary purpose of this law was the result of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996, an all-inclusive bipartisan welfare reform system aimed at ending the federal entitlement to assistance, and whose main reform was the start of the Temporary Assistance for Needy Families (TANF) program. Both TANF and the New Hire's Registry were to be designed in such a way to promote work, responsibility and self-sufficiency in an effort to strengthen families.

You may wonder what reporting new hires has to do with child support reforms. Before 1997, when a parent was ordered to pay child support, this amount was taken out of the worker's paycheck by the employer through wage withholding orders. If a worker changed or found new employment, it could take months for the orders to follow to their new employer. Reporting new hire data provided the ability to track those non-custodial parents in a more timely fashion, thus reducing the lag of payments to the custodial parent. This ties in with the fixed work requirements under PRWORA that custodial parents receiving public assistance are to fulfill.

Aside from the immediate purposes stated above, the nature and scope of the data gathered provides a wealth of socio-economic information.

Because reporting includes demographic and geographic information as well as standard information about the employer reporting the new hire, new hire data can answer such questions as which industries are hiring the most workers and which occupations are growing. Analysts can track the hiring patterns of old and young workers and male and female new hires, all by various geographical groupings.

Since its legislation, the initiative has significantly improved child support payments and collections while decreasing the payment and reporting time lags of custodial parent workers moving from one employer to the next. In addition, the registry has helped to detect and prevent fraud in other assistance programs. Cases can be matched between the New Hire Registry and Unemployment Insurance, Food Stamps and other programs associated with TANF which are under the PRWORA provision. Cases can even be matched to other programs like Medicaid in the detection and prevention of overlooked benefits usage in multiple states.

The value of the Registry is diverse and cannot be overstated. Ultimately, the New Hire Registry has saved and continues to save taxpayer dollars by increasing the self-sufficiency of custodial parents, ensuring for more efficient payments and collections to child support and decreasing instances of fraud by recipients of various assistance programs within and throughout states.

Employers seeking more details on how to report new hire information can consult the DWS Employer's Handbook at: <https://jobs.utah.gov/UI/Employer/Public/Handbook/EmployerHandbook.aspx>